

# pensionwise™

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# Leech takes reins in December

**Jim Leech, former Senior Vice-President, Teachers' Private Capital, becomes CEO of the Ontario Teachers' Pension Plan when inaugural leader Claude Lamoureux retires at the end of this year.**

Mr. Leech joined the pension plan in 2001. Under his leadership, Teachers' Private Capital became one of the world's leading private equity investors, acquiring such household names as Yellow Pages, Samsonite, Serta mattresses and CTVglobemedia. Last summer, his

private equity team led the winning bid for BCE, the largest leveraged buyout in corporate history (see story, page 5).

Erol Uzumeri, former Vice-President of Private Capital International, assumed responsibility for private capital investments Oct. 1.



Mr. Leech is former President and CEO of Unicorp Canada Corp., one of Canada's first merchant banks, and Union Energy Inc., then one of the largest integrated energy and pipeline companies in North America.

He holds a B.Sc. (Honours Math and Physics) from the Royal Military College of Canada, an MBA from Queen's University and is a graduate of the Institute of Corporate Directors. He is also bilingual.

"I'm honoured to be inheriting a thriving and successful organization. I plan to build on our culture of innovation so teachers can continue to enjoy pension security and top-notch service," Mr. Leech said.

He said building the private capital team into a world-renowned group is his greatest professional achievement to date.

Eileen Mercier, Chair of the Ontario Teachers' Pension Plan Board, said the board unanimously selected Mr. Leech for his CEO experience, understanding of the pension plan's operation and culture, and "exemplary credentials in business leadership in private and capital markets."

Mr. Lamoureux said he will leave the organization in capable hands.

"We've always focused on doing the right things for our members, and that is reflected in our culture. I am 100 per cent supportive of Jim's appointment. Your pension plan is in good hands with him at the helm of a solid executive team." ■

Mr. Leech will build on the pension plan's "culture of innovation" to ensure continued pension security and "top-notch" service for members.

# Lamoureux pioneered pension management style

Claude Lamoureux will ride the subway home from his North York office for the last time on Nov. 30. The 65-year-old leader of the Teachers' pension plan leaves the organization he built into one of the world's best pension plans in the same unassuming manner that marked his 17 years as CEO.

"Life is not about promotion and glory. It is about doing work well even when no one sees it, it is about taking responsibility without being asked . . .," he advised a group of investors at a luncheon in June.

Eileen Mercier, Chair of the Ontario Teachers' Pension Plan Board, described Mr. Lamoureux as a "visionary and pioneer."

"He leaves in place a legacy of member service and investment wisdom that is emulated by other pension plans and funds around the world."

A passionate champion of customer service, Mr. Lamoureux credits his parents – his mother was a teacher – and early life experiences for the values and work ethic that characterized his pioneering approach to pension administration and investment management.

"At work, I've always tried to instill what I learned first from my father and then from my mentor, Phil Briggs, at Met Life: the customer always comes first. Make the customer your focus and you know you will always be on track."

"At Teachers', we were never satisfied that we had done as much as we could. We constantly pushed the envelope and tried to improve further," said Mr. Lamoureux.

An outspoken advocate of shareholder rights, Mr. Lamoureux co-founded the Canadian Coalition for Good Governance, mobilizing institutional investors in their first organized and successful efforts to pursue better governance practices. He used diplomacy to tackle issues that deprived shareholders – as the owners of companies – of their fair returns. When that didn't work, he cranked up public pressure.

"If you want to make a million, don't rob a bank. Just put on a shirt and tie and play with the numbers. Securities laws are still so lax in Canada, white-collar crime often pays," he once said.

Mr. Lamoureux became the first CEO of the pension plan when the government created an independent corporation in 1990 to replace the Ontario Teachers' Superannuation Fund.

Under his leadership, pension assets increased to \$106 billion from \$19 billion, while client services improved to a top ranking in the world.

Mr. Lamoureux, an actuary by profession, joined the Teachers' pension plan from Metropolitan Life, where he had a successful career in their Ottawa and New York offices. He is well known

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for his unflagging efforts to protect the security of teachers' pensions and ensure inter-generational balance among plan members.

"What retirement advice would I give a young person starting out today? For teachers, that's easy. A career teacher will retire with a good pension."

"For others, my advice is: don't put off saving for retirement. Start right away. Every seven years you delay, cuts your savings in half."

Mr. Lamoureux said he will miss the excitement and diversity of operations, but is looking forward to retirement.

"I'll travel, I'll stay involved in corporate governance, and I may even go on some interviews for part-time jobs. The best part about retirement, as our pensioners already know, is the luxury of only doing what I want to do."

For Mr. Lamoureux, that's just about everything. ■

# Members willing to pay slightly more to keep pension healthy, survey shows

## PREFERRED MAXIMUM CONTRIBUTION RATE

MEMBER GROUPS	AVERAGE
Qualify for unreduced pension in more than 5 years	12.4%
Qualify for unreduced pension within 5 years	12.4%
Qualify for unreduced pension now	12.1%
OVERALL	12.3%

On average, members would be willing to pay a maximum of 12.3 per cent of their salary to keep their benefits the same in the event of a future funding shortfall. The preferred maximum contribution rate was similar across all groups of members. When asked how much they would be willing to contribute after hearing of potential benefit changes, the average maximum jumped to 12.6 per cent.

Teachers would be willing to contribute an average maximum of 12.3 per cent of their salary to keep their pension benefits the same, a recent member survey shows.

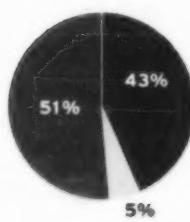
More than half of teachers would support making cost-of-living increases dependent on the health of the pension plan, if required to address a funding shortfall after contributions reached their preferred maximum. Under current provisions, pensions automatically keep pace with changes in the cost of living.

The survey results could help the Ontario Teachers' Federation (OTF) and the Ontario government, which co-sponsor the pension plan, decide how to address possible future funding shortfalls and changing plan demographics. A shortfall exists when projected plan costs are greater than plan assets.

The OTF, the government and the Teachers' pension plan commissioned the survey to test member awareness of their

## SUPPORT FOR POTENTIAL PLAN CHANGES

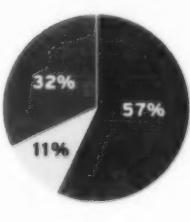
### MAKE COST-OF-LIVING INCREASES FLEXIBLE



### INCREASE BS FACTOR TO 90 FACTOR



### DECREASE PENSION BY 10%



About half of members would support making cost-of-living increases for future pension service dependent on the financial health of the pension plan, if required to keep contribution rates below their preferred maximum level. Under current provisions, pensions automatically keep pace with changes in the cost of living.

# Teachers' pension fund one step closer to owning stake in BCE

pension and preferences for dealing with possible future shortfalls. By law, a shortfall requires an increase in contribution rates, a decrease in future pension accruals, or a combination of the two options to bring the plan back into balance.

Any change in pension benefits could affect only benefits earned after the change is introduced.

The survey involved telephone interviews in April and May with a randomly selected, cross-section of 2,820 active members. POLLARA, the independent pollster which conducted the survey, said responses reflect the views of the pension plan's 167,000 contributing members.

The survey also showed:

- Making cost-of-living increases dependent on the financial well-being of the plan was the most preferred of three potential benefit changes tested in the survey, especially by younger teachers.
- Changing the 85 factor to a 90 factor was the least preferred of three potential benefit changes tested in the survey.
- There's high member awareness of key pension provisions. Ninety-five per cent of respondents were aware of the 85 factor, 87 per cent knew pensions are based on a formula and 74 per cent knew their pension will increase automatically with changes in the cost of living.
- Only 24 per cent of members knew how much they contribute to their pension, but 77 per cent were aware rates are scheduled to increase in each of the next two years. ■

For the full survey report, visit our website at [www.otpp.com](http://www.otpp.com) and click the Pension Survey link on the home page.

BCE shareholders voted overwhelmingly Sept. 21 to approve a proposal from a consortium led by the Teachers' pension plan to acquire BCE for \$51.7 billion.

The transaction still requires the approval of regulatory authorities, including the CRTC, and is subject to other conditions before it is closed.

BCE's Board of Directors unanimously recommended the proposal to shareholders over rival bids last June. The acquisition would represent the largest leveraged buyout in corporate history.

Besides the Teachers' plan, the

consortium includes Providence Equity Partners Inc., Madison Dearborn Partners, LLC, and other partners.

The pension plan has long recognized BCE's long-term potential and didn't think the share price reflected the company's true value.

"The fund needs exposure to the Canadian telecom sector. BCE is a leader in most of its markets. It's a solid, profitable company with a history of paying consistent dividends that can be reinvested for growth and expansion as a private company," said CEO-designate Jim Leech. ■

## FUND INVESTING UP TO \$4 BILLION

Some people mistakenly think the pension plan wants to place about half of its assets in BCE.

"I can understand why the misconception exists because we are proposing to take a 52 per cent equity stake in a \$51.7 billion acquisition. But that's just not the way this deal is structured," said CEO-designate Jim Leech.

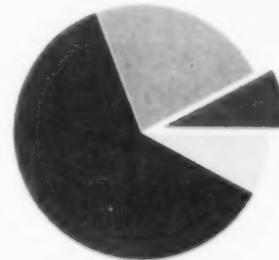
"We would never place so many eggs in one basket."

Mr. Leech said the risk is shared with equity partners and the banks and other lenders which are financing the transaction.

The Teachers' fund is currently BCE's largest shareholder with a 6.3 per cent interest in the company. By taking BCE private, the fund would increase its equity stake to as much as \$4 billion from approximately \$2 billion, with an opportunity to syndicate its equity share to other Canadian investors.

### Financing of Proposed BCE Deal\*

\* Numbers are approximate



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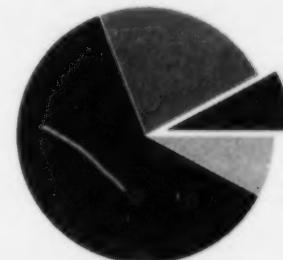
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"When all is said and done, our combined equity in hundreds of public and private companies around the world will continue to account for about 45 per cent of the fund's total assets," Mr. Leech said. ■

Financing of Proposed BCE Deal\*

\* Numbers are approximate



## PENSION PLAN OPENS OFFICE IN LONDON, ENGLAND

London is home to the pension plan's first office outside of Toronto. The office opened in May with three employees to allow better access to international private equity opportunities.

"We believe private capital will continue to generate considerable returns for our fund, and to optimize our efforts we need to be close to the market and the opportunities as they arise," said Erol Uzumeri, who was promoted to Senior Vice-President, Teachers' Private Capital, Oct. 1.



A new office in London puts staff close to opportunities in Europe.

## PENSION FUND BUYS CHILEAN WATER SERVICES COMPANIES

The Teachers' pension fund is investing in three companies that deliver water services in Chile.

The acquisitions represent the fund's first infrastructure investments in South America.

The Chilean government began



This treatment plant in central Chile is partly owned by the Teachers' plan.

privatizing its water infrastructure in 1998, and continues to regulate water rates to ensure fairness in price and service.

"We've made a long-term commitment to support the companies' existing development plans for future services and have the necessary capital to carry out that commitment," said Stephen Dowd, Vice-President, Infrastructure.

"Chile is an excellent country for us to invest in because of its growing economy, openness to foreign investment, and mature regulatory environment," he said.

## FUND TEAMS UP TO BUY STAKE IN BIRMINGHAM INTERNATIONAL AIRPORT

Airport Group Investments Ltd. (AGIL), a limited company owned by the Teachers' pension fund and Victorian Funds Management Corp. (VFMC), has purchased a 48.25 per cent interest in Birmingham International Airport for \$875 million.

Birmingham is the sixth largest airport in the U.K. and handles more

than nine million passengers a year. Partner VFMC manages investments on behalf of government entities, including pension funds, in the Australian state of Victoria.

## AGREEMENT REACHED TO SELL LUGGAGE MAKER SAMSONITE

The Teachers' pension fund, along with two private equity partners, has agreed to sell its joint 85 per cent interest in Samsonite Corp. for approximately \$1.7 billion. Samsonite reclaimed its position as a world leading luggage maker after the trio invested in the company in 2003.

## FINNISH ADHESIVE MAKER PURCHASED BY PENSION FUND

The North American operation of Dynea Chemicals OY of Finland is now an independent company owned by the Teachers' pension fund. Renamed Arclin, the Mississauga-based company produces specialty adhesives and paper overlays at 15 facilities in Canada, the U.S. and Mexico. ■

# You Asked Us...



## Q: Why is our pension plan buying infrastructure in other countries?

**A:** We invest in airports, water services, gas services, toll roads, port facilities, pipelines, power plants and other infrastructure assets around the world to generate stable, long-term returns at a low level of risk. We look for investments in regulated industries in countries with stable political and mature regulatory environments.

Infrastructure assets have a long life, withstand economic downturns, and

provide steady income, similar to long-term bonds. Because their returns are linked to inflation, they are ideal assets to pay indexed pensions.

As a long-term investor, we are not looking for large short-term gains from our infrastructure assets and expect to hold many investments for 25 years or more.

## Q: What's the difference between pension credit and qualifying years?

**A:** Credit is the actual number of days, months and years of teaching used to calculate the amount of your pension. Qualifying years are the number of school years in which you've taught for at least a portion of the year. Qualifying years, combined with your age, determine when you're eligible to receive an unreduced pension. Since 1997, you have received a qualifying year for every school year in which you have worked for more than 10 days. Excep-

tions occur in your first and final year of work if you work for only a partial year. In that case, you receive only a partial qualifying year.

## Q: Why isn't my spouse listed as beneficiary on my pension statement?

**A:** Your spouse normally should not be listed as your beneficiary because an eligible spouse has an automatic legal entitlement to your survivor benefit. Your beneficiary qualifies for a benefit only if you die before retirement and you have no eligible spouse. If you name your spouse as beneficiary, you lose the opportunity to name the person(s) who should be next in line for benefits.

## Q: Is my pension at risk because of the turmoil in debt markets?

**A:** No, the pension fund is well diversified to withstand market turmoil. Our investment in a form of short-term debt, called commercial paper, is not material. ■

## UPDATE PROFILE; WIN CHANCE FOR COMPUTER

You will be entered into a draw for a desktop computer if you update your personal profile online by the end of this year.

The draw takes place in early January for a Dell Pentium 4 Desktop PC with 17" flat-screen monitor.

Members can update their beneficiary designation, address, phone number and other personal information at *iAccess Web*, the secure members-only section of our website at [www.otpp.com](http://www.otpp.com).

Consider reviewing your beneficiary

designation to ensure it reflects your current wishes and whenever your personal circumstances change. Your beneficiary could receive a sizeable benefit if you die before retirement and you don't have an eligible spouse at the time of death.

### PICK COMMUNICATIONS PREFERENCES

You soon will be able to identify how you want to communicate with your pension plan.

A new communications preferences service is being launched online to allow members to update language and format preferences for verbal and written communications.

"We're giving members more choice," said Rosemarie McClean, Senior Vice-President, Member Services.

### HOW TO UPDATE AND REGISTER

Update your personal information by clicking a few buttons on *iAccess Web*. If you haven't yet registered for this free online service, consider signing up:

- Call 416-226-2700 or 1-800-668-0105, weekdays from 8 a.m. to 5:30 p.m.; or
- Download and complete the registration form at [www.otpp.com](http://www.otpp.com).

"For example, a member could choose to speak to us in French, but receive written communications in English. The member might choose an electronic *Pensionwise*, but a printed annual financial report. There's also the choice of receiving more frequent news updates and promotional offers," she said. ■



## SERVICE RANKED HIGH IN INTERNATIONAL STUDY



The pension plan received high marks for service in the recently released Cost Effectiveness Measurement survey of 64 pension plans from around the world. The Teachers' plan scored 88 out of 100 in the survey, while the two top-ranked plans scored 89.

"We're very pleased with the results

of the survey and will continue to strive to improve service each and every day," said Rosemarie McClean, Senior Vice-President, Member Services.

## DON'T DELAY PENSION APPLICATION

The Canada Revenue Agency does not allow us to pay a pension retroactively to a previous calendar year unless extenuating circumstances delayed the member's application for a pension.

If you have already stopped working, but have not yet applied to collect your pension, consider doing so before the end of the year.

## MOST TEACHERS APPLY FOR PENSION ONLINE

From a heavy heart to unbridled joy, emotions ran the gamut as 3,500 retiring teachers left their classrooms in June for the last time.

"At the end of the day, all I could say was 'oh' and then I almost cried," said Christine, a retired special education teacher.

Approximately 70 per cent of our new pensioners applied for their pensions online at iAccess Web, the secure members-only section of our website at [www.otpp.com](http://www.otpp.com).

The July retirements raised our pensioner population to 108,000 and our annual pension payroll to \$4 billion.

## SWIRSKY NAMED TO PENSION PLAN'S BOARD

Chartered accountant Bill Swirsky has joined the Ontario Teachers' Pension Plan Board.



Bill Swirsky

Mr. Swirsky is an independent consultant, specializing in business strategy, risk management, governance excellence and financial reporting. A former executive of the Canadian Institute of Chartered

Accountants, he has served on or worked with numerous boards during his career.

Mr. Swirsky is a Fellow of the Institute of Chartered Accountants of Ontario. He holds a B. Comm. from the University of Toronto and an MBA from York University. ■

**Pensionwise** is published for members of the Ontario Teachers' Pension Plan at a cost of 19¢ a copy.

We appreciate your comments about anything you read in **Pensionwise**. Please contact Debra Hanna at (416) 730-5351 or 1-877-812-7989, or e-mail: [dhanna@otpp.com](mailto:dhanna@otpp.com)

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